



FY2019-20 BUDGET STUDY SESSION

**CITY MANAGER'S PROPOSED
OPERATING & CAPITAL BUDGET**

**CITY COUNCIL
BUDGET STUDY SESSION**

Jovan Grogan, City Manager
Keith DeMartini, Finance Director

June 11, 2019



Agenda

- I. City Manager's Welcome & Goal/Objectives
- II. Financial Summary Overview
 - I. General Fund
 - II. Enterprise Funds
- III. Action Items from May 29th Budget Retreat
- IV. Capital Improvement Program (CIP) Budget
- V. Equipment & Vehicles
- VI. Debt Service
- VII. Questions & Next Steps



I. City Manager's Introduction & Goal/Objectives



Budget Study Session Objectives

- I. Receive the City Manager's Proposed Operating and Capital Budget for Fiscal Year 2019-20
- II. Understand the City's fiscal condition
- III. Receive updates on achievements, strategic initiatives and challenges for each department
- IV. Ask questions!

Organizational Mission, Vision & Values



Mission Statement

The City of San Bruno exists to provide exemplary services for our community that enhance and protect the quality of life.

Vision for the Future

San Bruno will be the Peninsula City of choice in which to live, learn, work, shop and play.

Values

The City of San Bruno values:

- ❖ Integrity;
- ❖ Protecting, guarding and shepherding public resources and interests;
- ❖ Teamwork;
- ❖ Exemplary service to the community;
- ❖ Competent, well-trained employees;
- ❖ Friendliness; and
- ❖ Commitment to the community.



City Council Priority Focus Areas (not in any order of preference)

- ❖ Implement Transit Corridor Vision to Revitalize Downtown and Commercial Corridor
- ❖ Assure Rehabilitation & Replacement of Critical Community Facilities and Infrastructure
- ❖ Grow City Revenues to Assure On-Going Fiscal Stability and Economic Vitality
- ❖ Continue to Strengthen Community Connections and Engagement
- ❖ Protect and Improve Community Aesthetics and Safety
- ❖ Continue Proactive Planning for the Future of San Bruno
- ❖ Organizational Health and Employee Success



Community Priorities

As part of community-focused and transparent fiscal planning, the City has engaged in a community conversation, soliciting feedback on service priorities from residents Citywide. Priorities cited by our neighbors include:

- ❖ Increasing pothole and other street hazard repair
- ❖ Increasing street repair and maintenance programs
- ❖ Maintaining street repair and rehabilitation programs
- ❖ Maintaining neighborhood police patrols
- ❖ Attracting and maintaining local business
- ❖ Maintaining City parks and playgrounds
- ❖ Maintaining and repairing park structures for children and youth



II. Financial Summaries



II. Financial Summary – General Fund

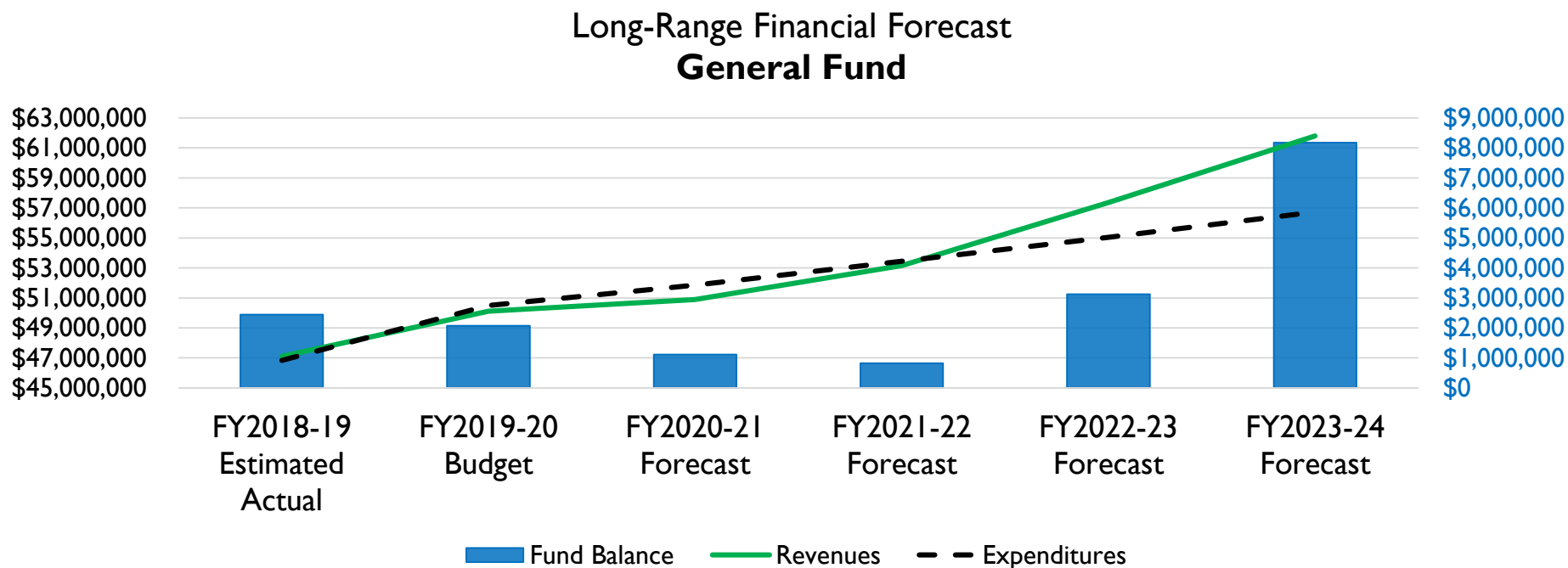


Long Range Financial Plan Overview

- Why it's important!
 - Fiscally conservative and prudent practice
 - Provides context for evaluating budget decisions
- Major funds
 - General Fund (including Capital Reserve)
 - Enterprise Funds (Water, Wastewater, Stormwater & Cable)
- Assumptions
 - Prior year actual and budget changes
 - Future rate and policy assumptions
 - Economic development assumptions for revenue and service delivery



General Fund Long Range Financial Plan



- 3-6% rate increases for existing major tax/revenue sources
- Conservative assumption for development projects
- 5% personnel cost increases
- No significant service level changes/enhancements



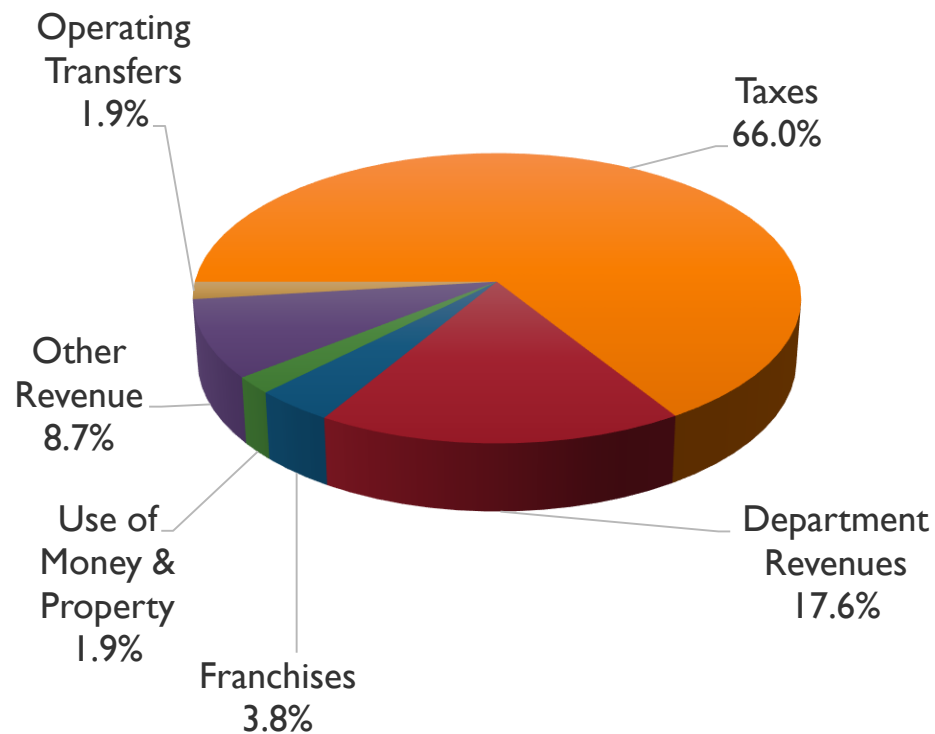
General Fund Summary

	FY2018-19 Adopted Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget
Beginning Fund Balance	\$2,172,101	\$2,172,101	\$2,445,773
Total Operating Revenues	46,110,332	47,102,037	50,111,247
Total Operating Expenditures	(47,041,436)	(46,828,366)	(50,487,625)
Surplus / (Deficit)	(931,103)	273,672	(376,377)
Ending Fund Balance	\$1,240,998	\$2,445,773	\$2,069,396

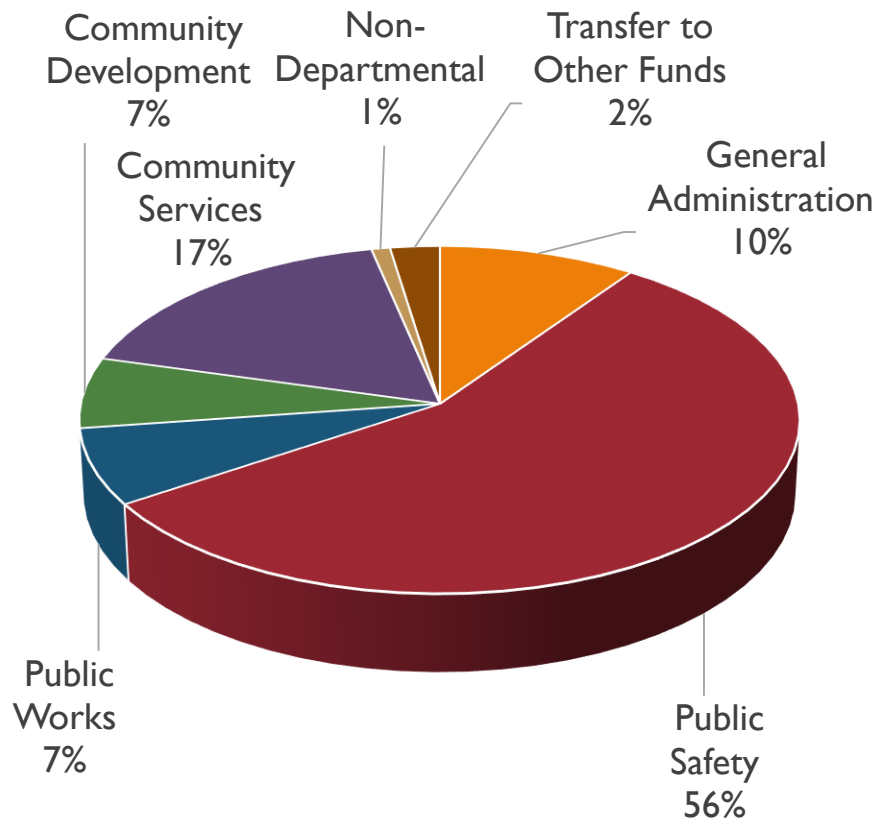
General Fund Summary



General Fund Revenues



General Fund Expenditures





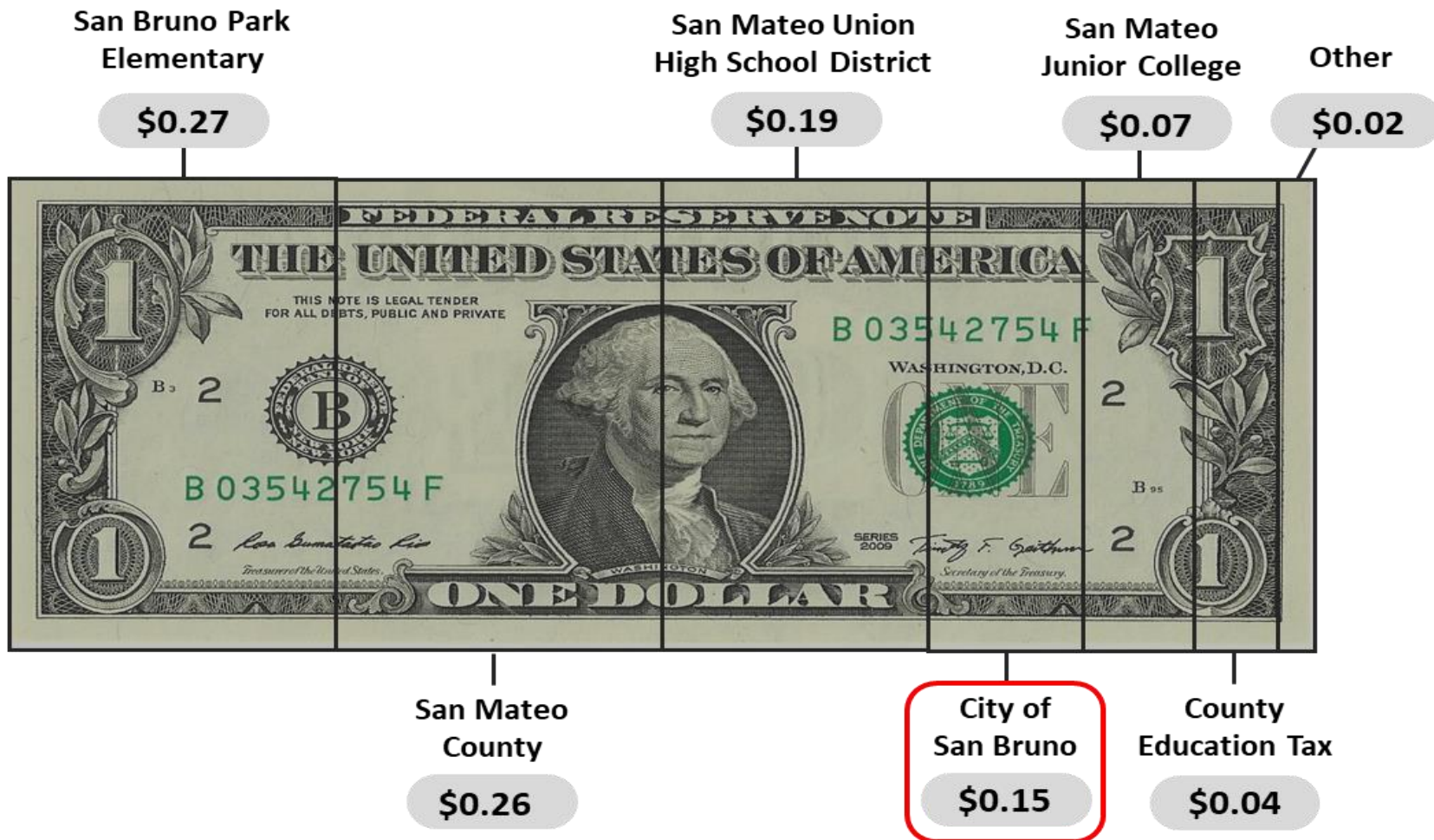
General Fund Revenues

Revenue Source	FY2018-19 Amended Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget	% Change in Budget
Taxes	\$31,288,691	\$32,369,403	\$33,097,802	6%
Franchises	1,869,096	1,857,128	1,903,000	2%
Use of Money & Property	1,312,000	1,432,452	961,691	-27%
Allocation & Other Revenues	4,991,362	4,897,704	5,345,636	7%
Department Revenues	6,743,906	6,545,349	8,803,119	31%
Total	\$46,205,055	\$47,102,037	\$50,111,247	8%



Property Tax Breakdown

Your Property Tax Dollar





Sales Tax Example

Sample Sales Tax Eligible Purchase in San Bruno

Sub-total	\$75. 00
Sales Tax (8. 75%)	\$6. 56
Total Sale	\$81. 56

Sales Tax Paid: \$6.56

- State of California \$4.50 (69%)
- County/Districts \$1.31 (20%)
- **City of San Bruno** **\$0.75 (11%)**



General Fund Expenditures

Department	FY2018-19 Amended Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget	% Change in Budget
General Government	\$5,035,772	\$4,877,479	\$5,442,221	8%
Police	18,612,932	17,715,479	19,643,409	6%
Fire	11,064,055	10,965,939	11,757,080	6%
Public Works	3,706,081	3,688,678	3,985,771	8%
Community & Economic Development	3,733,240	3,543,793	3,693,932	-1%
Community Services	9,070,570	8,661,185	9,721,758	7%
Non-Departmental	(2,931,818)	(2,623,906)	(3,756,546)	28%
Total	\$48,290,832	\$46,828,366	\$50,487,625	5%



Expenditure Pressures

- Union MOU negotiations
- Rising pension costs
- Health and other insurance costs
- County costs for 2 elections
- CPI on contracts
- IT software maintenance
- Mandates (ADA, etc.)

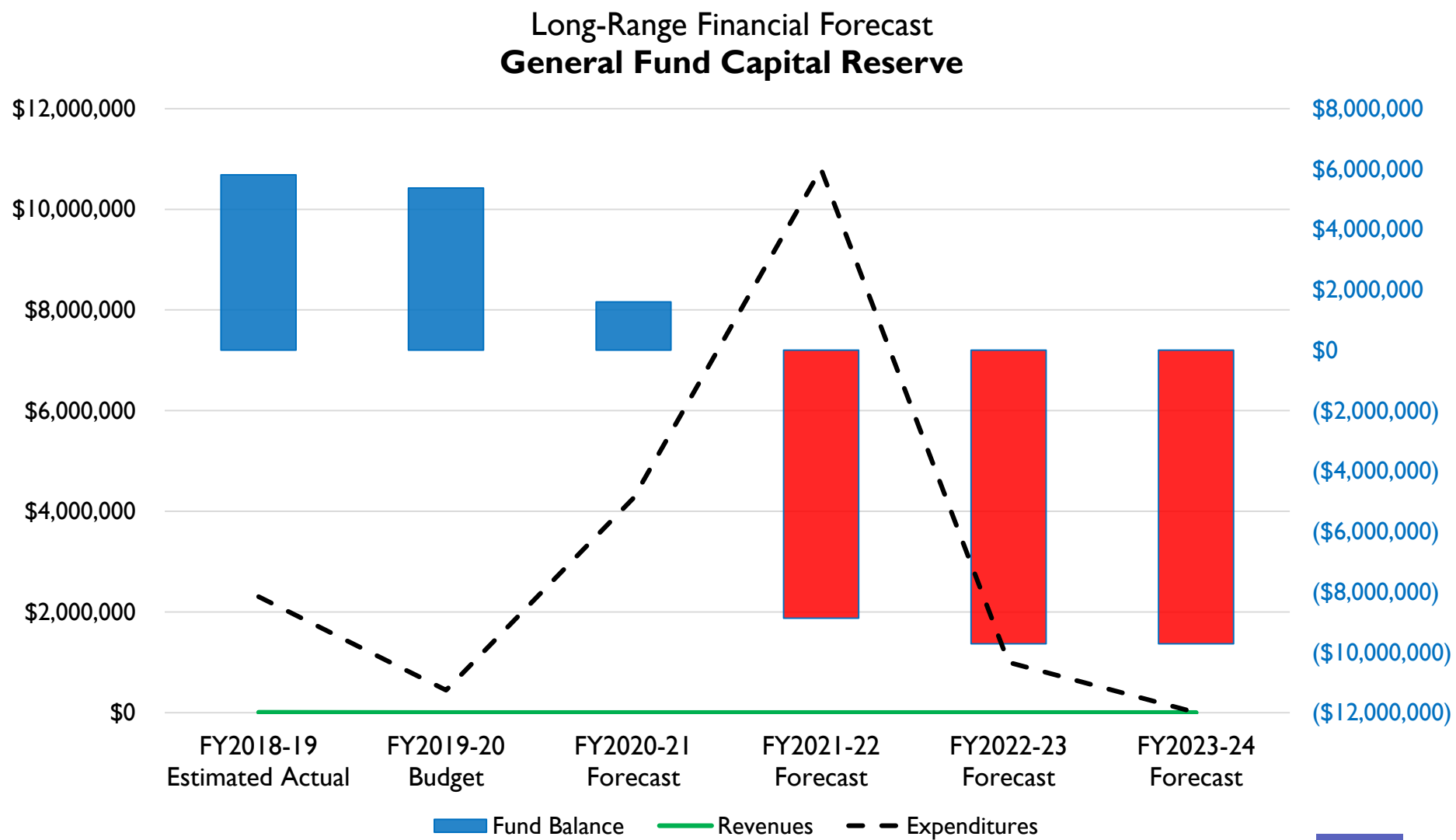


General Fund Reserves

Reserve Type	Reserve Policy Target	FY2018-19 Estimated Ending Balance	FY2019-20 Budget Ending Balance
General Fund	\$1,500,000	\$2,445,773	\$2,069,396
General Fund Reserve	25% of annual, budget expenditures	\$12,525,666	\$12,768,488
General Fund Capital Reserve	Goal of \$5,000,000	\$5,809,444	\$5,368,377
Emergency Disaster Fund	Target of \$3,000,000	\$3,198,517	\$3,283,517
Total		\$23,979,400	\$23,489,777

General Fund Capital Reserve

Long Range Financial Plan





General Fund Capital Reserve

	FY2018-19 Amended Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget
Beginning Fund Balance	\$8,108,710	\$8,108,710	\$5,809,444
Total Revenues	3,938	3,938	3,063
Total Expenditures	(3,247,277)	(2,303,204)	(444,130)
Operating Surplus / (Deficit)	(3,243,339)	(2,299,266)	(441,067)
Ending Fund Balance	\$4,865,371	\$5,809,444	\$5,368,377



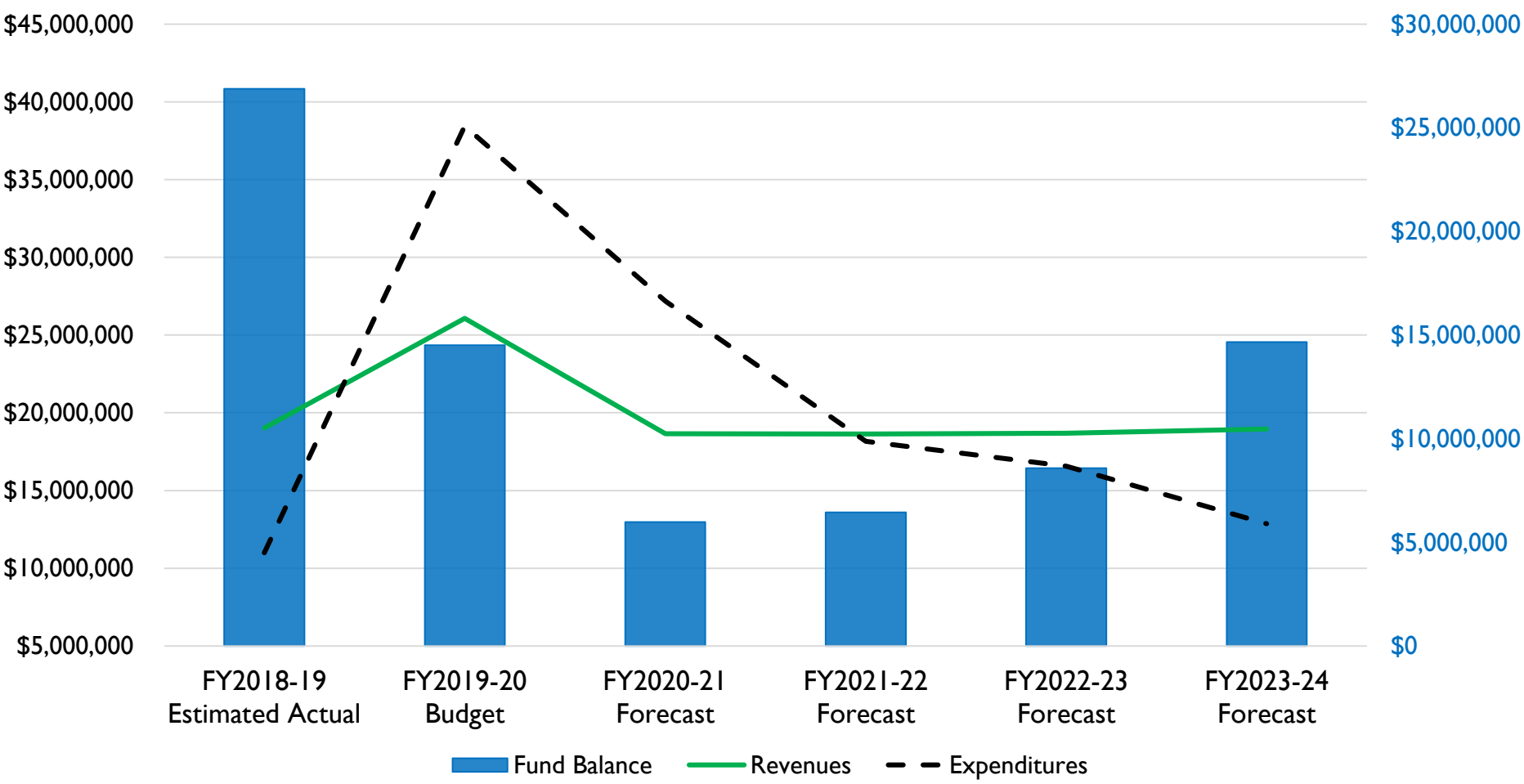
II. Financial Summary - Enterprise Funds





Water Long Range Financial Plan

Long-Range Financial Forecast
Water Enterprise Fund



Source: City of San Bruno, City Manager's Proposed Budget FY2019-20

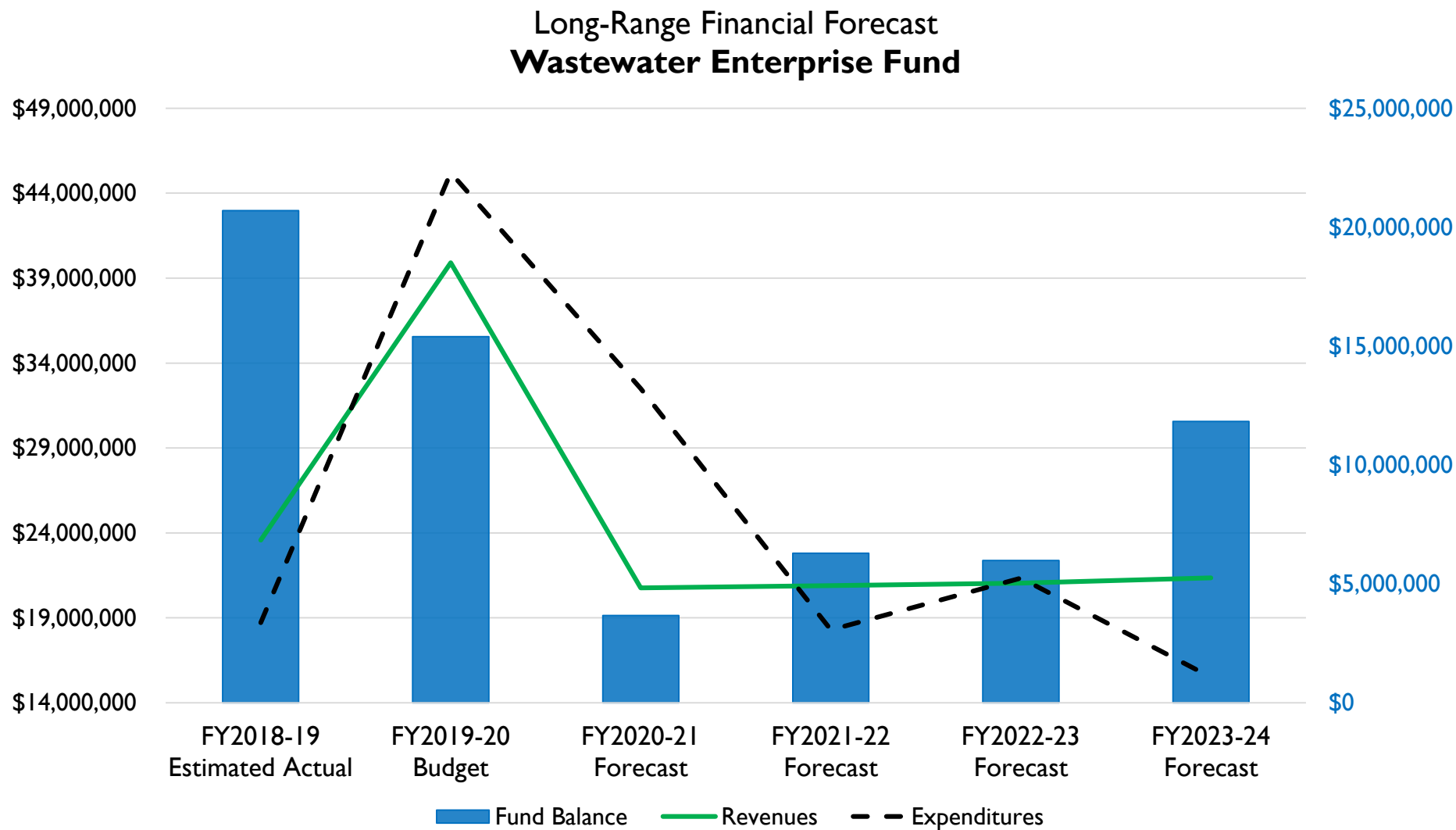
Water Enterprise



	FY2018-19 Amended Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget
Beginning Fund Balance	\$18,861,279	\$18,861,279	\$26,882,473
Total Operating Revenues	15,742,594	15,914,914	16,583,260
Total Operating Expenditures	(9,485,874)	(8,268,194)	(10,027,198)
Operating Surplus / (Deficit)	6,256,720	7,646,720	6,556,062
Total CIP, Debt Proceeds, & Equipment	(14,597,654)	374,474	(18,925,813)
Ending Fund Balance	\$10,520,345	\$26,882,473	\$14,512,722



Wastewater Long Range Financial Plan

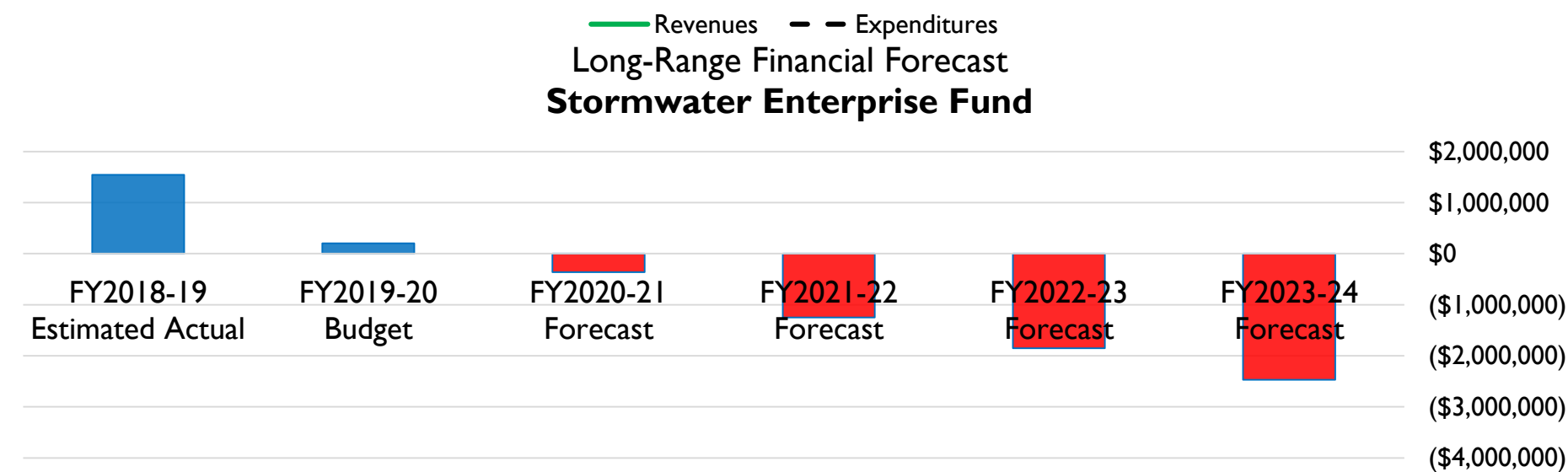
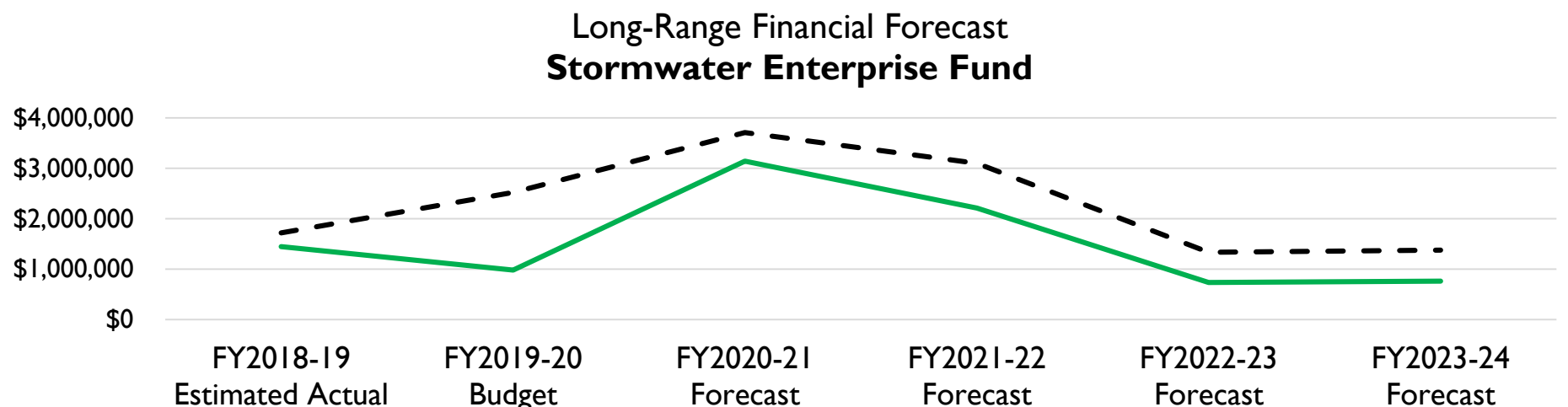




Wastewater Enterprise

	FY2018-19 Amended Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget
Beginning Fund Balance	\$15,827,894	\$15,827,894	\$20,691,679
Total Operating Revenues	17,663,327	18,158,355	18,621,632
Total Operating Expenditures	(8,786,493)	(7,893,478)	(9,116,241)
Operating Surplus / (Deficit)	8,876,834	10,264,877	9,505,391
Total CIP, Debt Proceeds, & Equipment	(4,506,511)	(5,401,092)	(14,798,366)
Ending Fund Balance	\$20,198,216	\$20,691,679	\$15,398,704

Stormwater Long Range Financial Plan





Stormwater Enterprise

	FY2018-19 Amended Budget	FY2018-19 Estimated Actual	FY2019-20 Proposed Budget
Beginning Fund Balance	\$1,819,291	\$1,819,291	\$1,546,482
Total Operating Revenues	688,000	677,308	679,000
Total Operating Expenditures	(1,597,751)	(1,336,300)	(1,222,784)
Operating Surplus / (Deficit)	(909,751)	(658,992)	(543,784)
Total CIP, Debt Proceeds, & Equipment	(406,936)	386,184	(799,446)
Ending Fund Balance	\$502,603	\$1,546,482	\$203,252



III. Action Items from May 29th Retreat



Action Items

- General Fund tax per capita comparison
- Regional tax comparisons
- Review reserve policy
- Report on fund balances during the year
- Agenda management system
- Police call volume
- Police county allocations



Action Items

- Fire mitigation
- Senior Center parking lot restriping
- Senior Center pressure washing
- Review water and wastewater rate increase assumptions
- Cable customer feedback and social media



IV. Capital Improvement Program (CIP)



CIP Summary



Fund	Carryover Appropriat- ions	FY2019-20 Funding Request	FY2019-20 Project Funding	Total 5-Year Program
Water	\$26,076,937	\$1,862,706	\$27,939,643	\$55,349,643
Wastewater	27,218,557	7,565,543	34,784,100	77,164,100
Stormwater	799,446	500,000	1,299,446	5,249,446
Cable	10,413,020	(10,003,126)	409,894	1,209,894
Parks & Facilities	17,172,591	3,072,927	20,245,518	67,050,518
Police Department	133,310	390,000	523,310	523,310
Streets	3,412,191	3,329,193	6,741,384	11,023,384
Technology	36,697	105,000	141,697	3,341,697
Total	\$85,262,749	\$6,822,243	\$92,084,992	\$220,911,992

The diagram illustrates a multi-service access network (MSAN) architecture. It shows a central Multi-Service Access Node (MSAN) connected to a TOT IP Network. The MSAN uses a 1:2 Splitter to connect to a 1:8 Splitter, which then connects to eight houses. A 1:4 Splitter connects to three OLTs. An Optical Node Unit (ONU) connects to a 1:4 Splitter and provides services to a VoIP phone, a High-Speed Internet laptop, an IPTV Setup Box, and an IPTV monitor.



Earl/Glenview Park



Additional Funding to Existing Projects

Fund	Project	FY2019-20 New Request
Streets	Pavement Management – 2019 Street Rehabilitation	\$750,000
Streets	Pavement Management – 2019 Slurry Seal	500,000
Streets	FY2019-20 Sidewalk Repair	200,000
Total		\$1,450,000



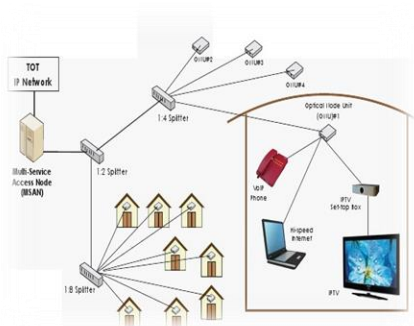
New Projects

Fund	Project	FY2019-20 New Request
Stormwater	Crestmoor Canyon Slope Stability Project	\$300,000
Stormwater	Regional Stormwater Capture Project	200,000
Parks & Facilities	City Facilities Door Access & Management System	0
Police	Dispatch & Records Ergonomic Updates	150,000
Technology	Strategic Software Needs Assessment & Upgrade	50,000
Technology	Data Security Business Continuity, Disaster Recovery Improvement	50,000
Total		\$750,000



Defunded Projects

Fund	Project	Defunded Amount
Cable	Fiber to the Home -Citywide	\$10,000,000
Parks & Facilities	City Hall Landscaping	30,000
Parks & Facilities	City Tree Management	121,678
Parks & Facilities	Fireman's Hall Roof Replacement	30,000
Parks & Facilities	Library Generator	50,000
Total:		\$10,231,678





CIP Summary – 5 Year Plan

Fund	FY2019-20 Budget	FY2020-21 CIP Plan	FY2021-22 CIP Plan	FY2022-23 CIP Plan	FY2023-24 CIP Plan	Total FY2020-24
Water	\$27,939,643	\$16,150,000	\$6,600,000	\$4,460,000	\$200,000	\$55,349,643
Wastewater	34,784,100	21,860,000	7,210,000	9,810,000	3,500,000	77,164,100
Stormwater	1,299,446	2,450,000	1,500,000			5,249,446
Cable	409,894	200,000	200,000	200,000	200,000	1,209,894
Parks & Fac	20,245,518	30,305,000	16,500,000			67,050,518
Police	523,310					523,310
Streets	6,741,384	2,282,000	1,000,000	500,000	500,000	11,023,384
Technology	141,697	1,100,000	1,100,000	1,000,000		3,341,697
Total	\$92,084,992	\$74,347,000	\$34,110,000	\$15,970,000	\$4,400,000	\$220,911,992

CIP Summary – 5 Year Plan

Water Mains



Water Pump Stations



Sewer Mains



Water Tanks



Water Well Rehab



Storm Trash Capture





FY21-24 - Underfunded Projects

Fund	Project	FY2020-21 CIP Plan	FY2021-22 CIP Plan	FY2022-23 CIP Plan	FY2023-24 CIP Plan
Stormwater	Spyglass Drive Storm Drain	\$1,500,000			
Stormwater	Trash Capture Device	200,000	1,500,000		
Park & Fac	City Facilities – Main Counter Security	40,000			
Park & Fac	City Facilities – Door Access & Management	100,000			
Park & Fac	Commodore Dog Park	40,000			
Park & Fac	Fire Station 52 Replacement		8,000,000		
Park & Fac	Park Pathways	125,000			
Streets	Accessible Pedestrian Ramps	100,000	100,000		
Streets	Bicycle & Pedestrian Improve	1,002,000			
Streets	Pedestrian Safety & Traffic-Calming	100,000	100,000	100,000	100,000

FY21-24 - Underfunded Projects (cont.)



Fund	Project	FY2020-21 CIP Plan	FY2021-22 CIP Plan	FY2022-23 CIP Plan	FY2023-24 CIP Plan
Streets	Sidewalk Repair Program	400,000	400,000	400,000	400,000
Streets	Streetlight Pole Replacement	400,000	400,000		
Streets	Traffic Signal Rehab	280,000			
Technology	Strategic Software Needs Assessment & Upgrade	1,000,000	1,000,000	1,000,000	
Technology	Data Security, Business Continuity, Disaster Recovery	100,000	100,000		
Total		\$5,387,000	\$11,600,000	\$1,500,000	\$500,000

FY21-24 - Underfunded Projects (cont.)



Fire Station 52



Bike & Pedestrian Improvements



Software Upgrades



Park Pathways



FY24-25 & Beyond - Unfunded Projects



Capital projects with no dedicated funding source

- ADA Transition Plan projects
- City-Wide Paving for residential streets and roads
- Crestmoor Canyon Fire Safety Improvements & Trails
- Pedestrian Bridge
- San Mateo Avenue Streetscape Plan
- Street Light Replacement – RO Streetlight System

FY24-25 & Beyond - Unfunded Projects



Major City facility and capital projects

- City Hall Civic Center
- Fireman's Hall Roof Replacement
- Fire Station No. 51
- Library
- Parks Maintenance Yard
- Police Plaza
- Public Works Corporation Yard
- Stormwater Collection System projects
- Cable Fiber to the Home (FTTH)
- Downtown Parking Garage
- Regional Stormwater Capture Project at I-280 and I-380
- Scott Street Grade Separation



V. Equipment & Vehicles





Equipment Reserve

- Equipment Reserve Fund
 - For General Fund departments only
 - Used to fund heavy equipment, furniture, fixtures and vehicles
 - \$340,600 annual allocation into the fund from departments
 - \$4.2M estimated ending balance at end of FY2018-19
- FY2019-20 Funding Status
 - Current balance represents **64%** of the target.
 - Current annual allocation represents **38%** of the target.
- Next Steps
 - Separate funds for equipment, furniture and vehicles
 - Create similar “fund” for enterprise and other departments
 - Develop complete inventory & consider additional funding



Equipment & Vehicle Requests

Fund	Equipment	Vehicles	FY2019-20 Budget
Cable Fund		\$120,000	\$120,000
General Fund Equipment Reserve	24,250	440,000	446,700
Water & Wastewater Funds		100,000	100,000
Total	\$24,250	\$660,000	\$666,700



VI. Debt Service



Debt Summary

- Debt Management policy adopted October 2017
 - Issue debt when it's economically efficient
 - Integration with Capital Improvement Plan
 - Consider refinancing with debt service savings greater than 3.0% of refunded principal
- Recent Debt Transactions
 - 2017 Water & Wastewater Bonds
 - 2018 Loan to Cable for Routers
 - 2019 COP Refinancing of Police Facility
- AAA Credit Rating for the City

AAA

S&P Global
Ratings



2019 Lease Revenue Bond – Police Facility

- S&P Credit Rating: **AA+**
- “Very High Grade Credit” rating
- Very strong economy
- Strong management
- Good financial policies and practices
- Strong budgetary performance with operating surpluses
- Strong budget flexibility and liquidity

	Moody's	Fitch	S&P
Highest grade credit	Aaa	AAA	AAA
Very high grade credit	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
High grade credit	A1, A2, A3	A+, A, A-	A+, A, A-
Good credit grade	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BBB-	BBB+, BBB, BBB-
Speculative grade credit	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-
Very speculative credit	B1, B2, B3	B+, B, B-	B+, B, B-
Substantial risks - In default	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D



Debt Metrics

Metric	Target	Fund	FY2019-20 Proposed Budget
Debt Level	<\$2,000 per capita and	General Fund	\$346.95
	<3% debt to market value assessed properties		0.19%
Debt Service Burden	<8% of Total General Fund expenditures		4.7%
Rapid debt amortization	>65% within 10 years		94%
Debt Service Coverage	1.25 annual net revenue over debt service	Water Enterprise	10.77
		Wastewater Enterprise	4.87

- Low debt burden with additional debt capacity
- All metrics are favorable compared to targets



VII. Questions & Next Steps



In Closing...

- City's budget is stable but not sustainable – cuts will soon begin to impact service
- Budget in line with City Council priority areas, including enhancement requests
- Strong & steady revenue growth
- Significant backlog of deferred capital maintenance, particularly streets and roads which will become more expensive to repair in the future
- Structural deficit significantly reduced in FY2019-20 budget
- Rising personnel benefit costs
- Expiring collective bargaining agreements
- Cable & Stormwater Enterprise Fund Challenges
- Reserves largely met



Next Steps

Item	Description	Date	Time
I.	City Council Study Session	June 11	5:00pm – 7:00pm
II.	City Council Adoption	June 25	7:00pm

Questions and Discussion





THE END